GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:623
ANSWERED ON:06.05.2003
PRICE OF UREA
BASUDEB ACHARIA

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) the cost of different feed stock per tonne of Urea in our country and other countries of the world;

(b) whether it varies widely, if so, reasons therefor while the oil price is decided globally;

(c) whether in other countries subsidy is given in the feed stock rather than in the product;

(d) if so, facts thereof;

(e) whether our fertilizer companies are in loss due to oil supplied by the oil companies at the highest price; and

(f) if, so the facts thereof?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI SUKHDEV SINGH DHINDSA)

(a) to (f): A statement is laid on the table of the House.

Statement referred to in reply to parts (a) to (f) of the Lok Sabha Starred Question No. 623 to be answered on 6.5.2003

(a) : The cost of energy (including feedstock, fuel, purchased power and industrial water) per tonne of urea in our country, as on 1.4.2002, is Rs.3673 per tonne of urea for gas based units, Rs.8751 for naphtha based units and Rs.8194 for fuel oil (FO)/low sulphur heavy stock (LSHS) based units.

The cost of these feedstock in our country vis-Ã -vis some other countries is as given below:

```
Item    Country  Average rates  Remarks


Natural Gas     Arab Gulf Below US $ 1  Current Rates


(in US $ per million BTU) Russia  US $ 1.02  January 2003rates
    India  US $ 1.97  On HBJ pipeline,
         transportation cost
         of US $ 0.73 included.



Naphtha (in US $ per MT) Singapore 304   FOB (March, 2003)
    Arab Gulf 282   FOB (March, 2003)
    India  374 to 412  Delivered price in
         North India (March, 2003)



Fuel Oils (in US $ per MT) Singapore 251   FOB (March, 2003)
    Arab Gulf 240   FOB (March,2003)
    India  262 to 283  Delivered price in
         North India (March, 2003)
Note:



(i)  In respect of foreign countries, information in respect of  additional costs on account of
 local taxes, freight, insurance etc. is not available.
```

(ii) Exchange rate is taken as US $ 1= Rs.48.00.

(iii) BTU= British Thermal Unit, MT= Metric Tonne.

(b): Variation in the supply price of naphtha and fuel oils between India and other countries is largely on account of tax structure, freight costs and certain overheads. In respect of natural gas, different countries follow different principles. For instance, in USA, it is the equivalence to heating oils on energy basis, in Arab Gulf, on index to crude oil price, in Russia, on the basis of cost ofproduction and in India, on the basis of linkage to international price of fuel oils, with certain floor & ceiling. The variation in tax structure among different countries also accounts for the differences in the delivered price of gas.

(c) & (d): Many developed countries in Europe and the USA do givesubsidies for promotion of agriculture. However, it cannot be concluded that they give subsidy on feedstock used in the manufacture of fertilizers.

(e) & (f): Urea units were being reimbursed the difference between the cost of production determined on normative basis and realization from sales through the maximum retail price (MRP), by way of subsidy under the Retention PriceScheme (RPS) till 31.3.2003. Under the RPS, as well as under the New PricingScheme (NPS) that has come into effect from 1.4.2003, the actual cost of feedstock and fuel is reimbursed to the urea units, but based on normative levels of consumption. Therefore, the urea units cannot make losses on this score.